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ONTARIO MOTOR LEAGUE
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Mr. Lancelot J. Smith, F.C.A.
Chairman
The Ontario Committee on Taxation
88 University Avenue
Toronto 1, Ontario

January 6, 1964

Dear Mr. Chairman and Members:

This Committee has invited expressions of opinion on rates, methods and policies of taxation in the Province of Ontario, so that its recommendations to the government may be as fruitful as possible.

It is our belief that certain facts should be drawn to your attention in the interests of all motorists, however, a broad submission may cloud the more important issues we wish to present. This letter, therefore, is not intended as a submission: rather, it has the more modest aim of drawing attention to two matters which are of direct concern to the Ontario Motor League and to the citizens of Ontario as a whole. These inter-connected matters are the taxation of motor vehicles and the fundamental basis of taxation policy.

With respect to highway user taxation, we are firmly resolved that there is no case whatsoever for raising motor vehicle tax rates. This was amply demonstrated through two basic passages contained in the submission of the Automotive Transport Association to the Minister of Highways during February 1962. The first passage reads:

> "----------over the programme period as a whole the continuance of present tax policies will provide the Province and municipalities with more than sufficient funds to meet their combined highway, road and street needs. These needs were estimated by

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the Department of Highways in December of 1958 at $7.1 billion. Adding $0.1 billion for Department of Transport expenditures produces a total of $7.2 billion. To meet this, the Provincial Government alone will receive $6.8 billion from permit and licence fees, Federal Government payments for the Trans-Canada Highway ($67 million to the end of 1963), and the taxes on gasoline, diesel and aviation gasoline. (We have included an estimated revenue of some $26 million for the last item, because in our view it should be set against the cost of providing highway access to airports.) In addition to the sum of $6.8 billion which the Ontario Government will receive, we estimate (on the basis of their past outlays) that the municipalities will be able to make available from their own tax revenues some $2.2 billion for road purposes. This makes a grand total revenue (Provincial and Municipal) of $9.0 billion, which exceeds total anticipated expenditure ($7.2 billion) by no less than $1.8 billion. Even if it were assumed that the municipalities could pay from their own pockets only $1.1 billion (half the amount previously included), there would still be a combined revenue surplus of more than $700 million."

Looking at the same matter from the viewpoint of the municipal road subsidies:

"Twenty-year needs for urban, country and township roads were set by the Department of Highways in 1958 at $4.7 billion. To meet this, we estimate - on the basis of their past outlays - that the municipalities will be able to provide from their own resources (excluding Provincial subsidies) $2.2 billion. This leaves a

short fall of $2.5 billion. On the other hand, the D.H.O. needs estimate for King's Highways and Secondary Roads, which are the direct responsibility of the Ontario Government, was $2.4 billion. If $0.1 billion is added to this for Department of Transport expenditures, the Provincial Government total becomes $2.5 billion. Against this, we estimate that the Government of Ontario will receive a total highway revenue of $6.8 billion, leaving a Provincial surplus of $4.3 billion. This will be far more than adequate to cover the municipal revenue deficiency of $2.5 billion."

We would stress the fact that this firm prospect of a surplus of highway revenue, including that portion traditionally derived from the municipal property tax, over the remainder of the Department of Highways' program period (1958-1977) existed before the recent increases in passenger car permit fees. We estimate that these increases will yield more than $5 million additional revenue in the 1964 licence year and will increase as automobile registration increases.

The Prime Minister, Honourable John P. Robarts, Q.C., announced recently that increases in Provincial taxes were inevitable, to enable the government to meet its rapidly expanding obligations. We are seriously concerned over the possibility that, for this purpose, the rate at which the gasoline tax is presently levied may be raised.

Any such increase would, in the opinion of the Ontario Motor League, be completely unjustified. The purpose of motor vehicle taxes is to help pay for the construction and maintenance of roads and streets, both Provincial and municipal.

Because every citizen in Ontario benefits from our roads and streets, we do not believe the motorist should be called upon to pay for more than his fair share and his fair share should not exceed two thirds of the cost of construction and maintenance of such roads and streets. The Ontario Motor League strongly opposes diversion of tax revenues, received by the government from the motorist, to assist other modes of non-highway transportation at the direct expense of the motorists of Ontario.

All too often in the past, governments confronted with the prospect of an overall shortage of revenue have taken the line of least resistance by increasing the tax rate on gasoline. This is factually the history of vehicle fuel taxes in almost every jurisdiction in North America.

We contend that at issue here is the second major question which we referred to in our opening paragraphs: the fundamental basis of taxation policy. It is the opinion of the Ontario Motor League that this Committee has a great opportunity to break away from the approach of almost pure "expediency" which has been previously adopted and to recommend tax adjustments in harmony with the true, long-run interests of the Province of Ontario. Dominant among these interests is the proper allocation of economic resources, including those invested in the various forms of transportation.

If competition between automobiles and other transportation media is to be on a sound basis, then motor vehicle taxes must cease to be regarded as an easy source of revenue for "general" purposes. At the very

lowest estimate, the motorists in Ontario have for many years paid their fair share of Provincial and municipal highway costs; and they will continue to do so in the future, at the present rates of taxation.

All of which is respectfully submitted.

Yours very truly,

C. Michael Bell

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Executive Vice President